
From: jeff.wendel@greatwesternsteel.com
Sent: Thursday, October 31, 2013 12:54 PM
To: Joe Scala
Subject: [FWD: RE: Beech-Nut Closing concerns]
Attachments: reassessment letter.doc

Follow Up Flag: Follow up
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Joe,
Please see attachment

Thank you

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Joe,

Thank you for meeting with me yesterday afternoon at the Canajaharie site. As we discussed yesterday we have a few concerns that we found during our due diligence studies.

The first is that we thought the portable heaters were a permanent part of the building. But later, after we signed the purchase agreement, we were informed by Walt and verified by Steve that they were not part of the building and not even owned by Beech-Nut. In addition to the lost value, the lack of heat will increase our project cost because we will also have to rent some kind of portable heaters as well.

Second is the copper that was pulled from the building. We were aware of the removal of the stainless steel and small feeds to the machinery but not the main feeds coming from the transformers and switch gear. The amount of copper removed and how it was removed will greatly affect the overall cost of renovating the section of the facility on the west side of the creek.

The third is the amount of the above ground environmental issues on the site. As you know we are doing this project in two sections. The first being the east side of the creek and the second the west side of the creek. You have provided us a very detailed asbestos survey of the west side and the bridges. From your study, our environmental consultant has given us a cost for remediation of \$1,000,000 to \$1,500,000 depending on how we deal with the remediation of the stucco surface. We will not know that until we start working with the regulator. It will either have to be scraped and removed by hand or all of the block debris will have to be treated as asbestos containing material and hauled to a environmental landfill. More than likely it will be a combination of the two, since some areas are friable and others are not. Because of that unknown, we are using \$1,200,000 as our budget for that section, for now.

Our environmental consultant also evaluated the east side of the creek and the bridges while we in New York this week. Below are his findings of the costs associated with remediation.

1. 15,785 LF of asbestos containing pipe insulation - \$158,000 for remediation
2. Miscellaneous asbestos containing material (Floor tiles, ceiling tiles, window glazing, gaskets and etc.) - \$75,000 for remediation.
3. Transite pipe and pipe insulation next to rail bridge - \$5,500 for remediation
4. Galbestos siding on the tunnels (5,280 Sq. Ft.) - \$26,400 for remediation.
5. Unknowns at this time - Exterior stucco on all but the back building on the west side of the creek.

Total known abatement cost (west side of the creek) - \$265,000

After our recent findings, the buyer feels that section 7b IV of the purchase agreement needs to be dealt with prior to closing. As you can see the \$100,000 both parties (\$50,000 each) have agreed to place in escrow will not even begin to cover the environmental remediation of the site.

After discussions with Todd Clifford of TD Development, the buyer, he would like to offer suggestions on how to handle this situation.

One suggestion would be that the two of you come to a new agreement and schedule of a shared remediation cost which would reflect the true cost.

The second suggestion is that TD Development, LLC would buy the property as is, where is for a discounted price of \$125,000. This would mean that TD Development, LLC would assume all liability for environmental issues and therefore handle all costs associated with the remediation of the project.

TD Development would prefer to buy it as is, where is. They can close on the property on November 8, 2013 or 48 hours after receiving a title report. TD Development, LLC will retain Dan Shulman of Schulman, Curtin and Grundner, PC to act as legal council to handle the closing.

We look forward to your response so we can complete the transaction ASAP.

Thank you

Jeff Wendel
Consultant for TD Development
(513) 703-5912